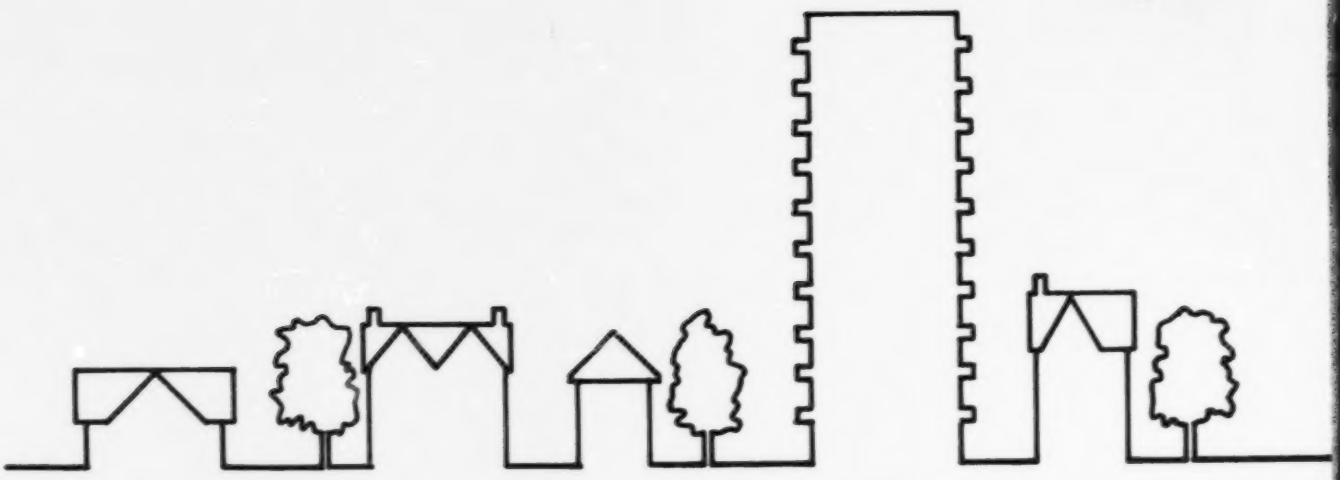

STUDY OF RESIDENTIAL INTENSIFICATION AND RENTAL HOUSING CONSERVATION

PART 2: ECONOMIC AND DEMOGRAPHIC TRENDS FOR THE 80'S AND 90'S

PREPARED FOR
THE ONTARIO MINISTRY OF MUNICIPAL AFFAIRS AND HOUSING
AND THE ASSOCIATION OF MUNICIPALITIES OF ONTARIO

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VOLUME 2

NOTE:

This is a consultants' report. Any statements or opinions expressed herein are those of the writers or of persons quoted and, unless otherwise noted, are not necessarily endorsed by the Ministry of Municipal Affairs & Housing, Government of Ontario, or the Association of Municipalities of Ontario.

FOREWORD

This study was commissioned jointly by the Ontario Ministry of Municipal Affairs and Housing and the Association of Municipalities of Ontario. Funding for the study was provided by the Ontario Ministry of Municipal Affairs and Housing through the Housing Renovation and Energy Conservation Unit of the Community Housing Wing. The Ministry's chief representative on the study was Mr. George Przybylowski of the Housing Renovation and Energy Conservation Unit. In this capacity, Mr. Przybylowski was the prime client contact throughout the study process and the consultants wish to express their gratitude to him for his considerable personal committment to this study and the many creative and useful suggestions he made during the course of the investigations.

The findings, conclusions and recommendations contained in the various volumes of the study report are those of the consultants as are any factual errors they may contain. The report does not constitute Ontario Government or A.M.O. policy but is a report to these two organizations for their consideration.

Peter G. McInnis
Study Director

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GENERAL INTRODUCTION

This document forms one volume of an eleven volume study report commissioned jointly by the Ontario Ministry of Municipal Affairs and Housing and the Association of Municipalities of Ontario (A.M.O.) in July, 1982. The prime objectives of the study were:

1. To examine the opportunities and constraints that exist for meeting some of the future additional housing needs in Ontario during the 1980's and 1990's through the intensification of existing residential neighbourhoods.

2. To examine some of the major forces at work that have and could threaten the conservation of the existing stock of rental housing and the tenants that occupy this stock.

These objectives were formulated in response to concerns on the part of the Ministry and A.M.O. regarding recent and emerging trends in housing and urban development and population growth and change in Ontario.

It is safe to assume that there will continue to be a demand for more rental and ownership housing units in Ontario during the 1980's and 1990's due to both an absolute increase in population and an increase in the number of households. However, there iis growing evidence that this demand could be different in nature than during the last decade. While demand will continue to be focused in urban areas, there will likely be increasing pressure for inner city housing particularly in the larger urban centres such as Toronto, Ottawa and Hamilton. Also, households are getting smaller and older; and more people are beginning to accept the prospect of never being able to afford to own a home. These trends suggest that there will be an increasing demand for smaller dwellings. While consumer preference information may not support this, the general state of the economy and the future affordability of housing may dictate these demands.

The Government of Ontario and the Association of Municipalities of Ontario are concerned about how these additional and somewhat different housing needs of the 80's and 90's will be met, particularly in light of the downturn in the construction of new private rental housing; the economic prospects for the 80's and 90's and the likely restraints on public expenditures related to new facilities and services and socially assisted housing; and the increasing difficulty of providing new housing through large scale redevelopment and/or a further expansion outwards of Ontario's urban fabric.

There are two major approaches to creating additional housing: 1) building new and 2) making more efficient (intensive) use of the housing stock that currently exists. This study is aimed primarily at the latter and specifically at the potential for meeting some of the future housing needs in

the Province through the conversion of the existing stock of some 1,200,000 grade-related owner occupied dwellings in the Province. The extent to which this study is concerned with new housing was limited to the opportunities that might exist for small scale residential infill in residential neighbourhoods.

In addition to being concerned about meeting additional housing needs, the Ministry and A.M.O. were concerned about conserving the existing rental stock in a safe and livable condition for at least the same number of households as it currently accommodates. While this aging/conservation issue is by no means a new one, the nature of the issue will likely be quite different in the future. Until the late 1950's, the vast majority of housing in the Province was grade-related and owner occupied, and the conservation of these types of dwellings usually happened as a matter of course without much concern or assistance on the part of governments. In the last 30 years, however, the housing stock profile has changed dramatically with the advent of the high-rise apartment building. Rental apartments in multiple unit buildings form a much larger proportion of the stock than ever before. Approximately two-thirds of the over one million rental housing units in Ontario are located in high-rise or low-rise/walk-up multiple unit apartment buildings. Forty percent or 434,000 of the total rental units are in high-rise buildings. The conservation of the apartment rental stock has never been a serious issue in the past because of the relative newness of this stock. However, as these buildings age during the 80's and 90's (many are already 20 years old), serious attention will have to be given to the efforts that will be required to maintain these units in a safe and livable condition and within the economic reach of a large majority of the population. Therefore, the second objective of this study was in part, to examine the type of building repairs and improvements (and their associated costs) that will be required to conserve the Province's stock of some 434,000 high-rise rental apartments over the next 20 years.

A second rental housing conservation concern of the Ministry and A.M.O. had to do with the perceived loss of low-income rental accommodation that has traditionally been available in the form of rooms and apartments in grade-related dwellings in older neighbourhoods. Specifically, the study was to examine the extent of the loss of this type of housing due to demolition and deconversion resulting from the gentrification of these dwellings and the impact these losses have had on tenants.

The investigations were carried out by a series of five individual consultants working under the direction of a sixth consultant retained to coordinate and direct the study investigations. The work of each consultant was monitored and reviewed by a core study group made up of the five consultants, the study director and representatives of MOMAH and AMO.

Core Study Group

Study Director:	Peter McInnis Klein & Sears Research and Planning Limited
Consultants:	Michael Adams Environics Research Group
	Jack Klein Klein & Sears, Architects
	Greg Lampert Clayton Research Associates
	Frank Lewinberg Lewinberg Consultants
	Peter Milligan Walker, Poole, Milligan
Ministry Representatives	Sue Corke Gary McAllister George Przybylowski
A.M.O. Representatives:	Mayor W. McLean Town of Ajax
	Gwyn Simmons City of Ottawa Non-Profit Housing Corporation
Special Assistant To Core Group:	Betty Kaser

While the consultants' work on this study began formally at the beginning of July, 1982, some considerable effort was spent in advance of this start-up by a steering committee Ministry and AMO representatives in developing terms of reference and a work plan with the study Director that reflected the findings of an extensive and detailed review of the literature pertaining to the issues in question. This literature review was carried out by David Hulchanski for the Ministry during April and May of 1982 and has been published under separate cover. The prime purpose of this review was to identify the extent to which the issues in question had already been considered and the findings and conclusions that had been reached in order that the consultants' work could be focussed on those issues about which there is limited knowledge or understanding. Also, this review provided a valuable basis for establishing certain propositions to be tested in the study.

The investigations, particularly those relating to Objective #1, were carried out on a case study area basis in the municipalities of Toronto, North York, Hamilton, Kingston, Woodstock and Ottawa with special input from municipal officials in Thunder Bay. These municipalities were selected to reflect the fact that many of the issues under investigation were more associated with larger urban areas as well as to provide at the same time, a range of sizes of municipalities for comparative purposes.

The overall study report is organized into 11 separate volumns. These 11 volumes follow the 5 part organization of the findings, conclusions and recommendations of the study investigations as indicated below:

PART #	TITLE (Prime Consultants)	VOLUME #
1	Summary of Findings And Recommendations (Klein & Sears)	1
2	Economic And Demographic Trends for the 80's and 90's (Clayton Research Associates)	2
3	Residential Intensification And Future Housing Needs	
	3.1 Physical Potential (Clayton Research Associates)	3
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5 Data Sources And Problems (Clayton Research Associates) 11

This particular volume (Volume #2) of the study report was prepared by Greg Lampert of Clayton Research Associates. It provides the economic and demographic framework for the analysis and recommendations following from Parts 3 and 4 of the overall report.

PART 2

ECONOMIC AND DEMOGRAPHIC TRENDS FOR THE 80'S & 90'S

Prepared by:
Clayton Research Associates

PART 2 THE ECONOMIC AND DEMOGRAPHIC TRENDS FOR THE 80's & 90's

1.0 INTRODUCTION

The housing stock and municipal infrastructure are long-term investments. Most dwellings are built to last significantly longer than either the people who build them or their children. Street patterns and services laid down at the turn of the century still serve the great grandchildren of the citizens of that time. Much has been added since, but much of the old remains - though it may have had to be upgraded or supplemented, the original investment is still functional.

Since the economic and demographic environment of our communities is in a constant state of flux, the demands put on the housing stock and municipal infrastructure can change significantly over time. These changes are most visibly evident in variations in the character of new housing construction and newly-built communities which generally tend to reflect the demands of the day, however, they are also evident in the shifting occupancy patterns and uses of the existing housing stock.

This section presents a brief review of the economic and demographic trends over the past two decades which have shaped the current stock and distribution of dwellings and their occupants in Ontario. The outlook for housing in the province in the 1980's and 1990's is also examined as well as the role which the current dwelling stock could play in meeting the housing needs of the next twenty years.

2.0 THE CHANGING ENVIRONMENT IN THE 1960's AND 1970'S

There is abundant evidence of significant changes in the economic and demographic environment in Ontario over the past two decades and the corresponding changing demands on the housing stock:

- The number of households in Ontario increased by 80 percent in the 1961-1981 period to a total of just under 3 million according to the 1981 Census of Canada.

- The composition of the household growth was indicative of trends towards increased independence and affordability among non-family persons:

  - the number of non-family households (mostly single people) increased to over 3 times the 1961 number by 1981;

  - this compared with an increase of 57 percent in the number of family households.

- With the rapidly increasing numbers of non-family households and with the trend towards families having fewer children - the average number of children per family dropped to 1.3 in 1981 from 1.6 in 1961 - average household size dropped to 2.9 persons in 1981 from 3.8 persons in 1961.

- Real incomes rose significantly - average real family income increased by over 75 percent in the two decade period from 1961 to 1981.[1] This was due to a combination of:

  - higher real average weekly earnings which increased by over 25 percent during the period; and

  - a dramatic increase in the female participation rate (people aged 15 years and over who are in the labour force) from about one-third in 1961 to over half in 1981.

- The tendency of people to share accommodation dropped dramatically over the period; the number of families not maintaining their own household dropped from over 106,000 in 1961 (7 percent of all families) to less than 35,000 in 1981 (1.5 percent of all families). At the same time, the number of boarders and lodgers declined from over 205,000 in 1961 to only 122,000 in 1976 (the 1981 Census figure is not available).

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1 Real incomes are incomes adjusted to remove the inflationary component. They were derived by applying the rate of change in the Statistics Canada consumer price index over the 1961-1981 period to the incomes prevailing in 1961 and 1981.

- The age composition of the population in Ontario changed significantly in the 1961-1981 period as well, with important ramifications for housing requirements; while total population increased by 38 percent:

  - the number of elderly (people aged 65 or more years) increased by over 70 percent and accounted for 10.1 percent of the total population in 1981 compared to 8.1 percent in 1961;

  - the 15-34 age group, the prime household formation age group and a group which has a higher than average propensity to rent rather than own, increased by almost 80 percent during the period and accounted for 35.4 percent of the total population in 1981 compared to 27.4 percent in 1961;

  - the number of people aged less than 15, tomorrow's prime household formation age group, dropped by 6 percent over the period.

Despite this dramatic growth (and changing character), and the housing required to accommodate this growth and change in character and population, the housing stock of 1961 was still an important component of Ontario's stock in 1981; over half the 1981 stock was comprised of dwellings built prior to 1961. There were, however, substantial differences in the character of the dwellings added to the stock over the past two decades compared to those existing in 1961:

- There was a significant increase in the proportion of Ontario's housing stock which was rented rather than owned; in 1961, less than 30 percent of the stock was rental, while by 1981, rental units comprised almost 37 percent of the stock.

- The character of the rental stock also changed. In 1961 the Ontario rental stock was comprised of approximately 60 percent non-apartment units and 40 percent apartment units; by 1981, apartments comprised 66 percent of the total rental stock.

- The vast majority of the additions to the rental stock were high-rise apartments; whereas less than 20 percent of the pre-1961 stock of rental apartments was located in buildings of 5 or more stories, an estimated 75 percent of the apartments added to the rental stock in 1961-1981 were in buildings of 5 or more stories. In 1981, 40 percent of Ontario's rental housing stock was comprised of units in buildings of 5 or more stories.

- From a macro point-of-view changes were less evident on the ownership side of the market; the single-detached dwelling, which comprised 86 percent of the total ownership stock in 1961, comprised a slightly lower, but still dominant, 81 percent in 1981. Despite this, apparently only slight change on the ownership side as a whole, the character and location of the dwellings added in the 1960's and 1970's were different; there was substantial growth in average dwelling size and a dramatic expansion of suburban communities compared with central areas - though this has slowed in recent years due to energy and affordability considerations.

These household growth and housing stock changes did not impact all parts of Ontario equally. The trends and the current housing stock in large rapidly growing areas such as the Toronto, Ottawa and Hamilton metropolitan areas (especially the central municipalities in these areas) are different from those in smaller centres. Examples of these differences include:

- While non-family households comprised one-quarter of all households in the province in 1981, in the cities of Toronto and Ottawa they comprised 46 percent and 40 percent respectively. Other case study areas were nearer the provincial average except for the City of Kingston, which because of the large student population had 39 percent non-family households.

- The proportion of owners versus renters also varies significantly from centre to centre. In 1981, the only case study area which exceeded the provincial average of 66 percent (58 percent in urban Ontario) in terms of homeownership level is Woodstock with 66 percent. Of the other areas, only in Hamilton (56 percent) and North York (52 percent) do over half of the occupants own their dwellings. Ottawa (39 percent) and Toronto (41 percent) had the lowest homeownership levels.

- The shift towards high-rise rental buildings was much more pronounced in the large centres. Apartment buildings with five or more stories accounted for over half the 1981 rental stock in each of the four large case study areas, whereas in Kingston less than one-quarter of the rental stock was in high-rise buildings. In Woodstock, the proportion was only 12 percent.

- The characteristics of the ownership housing stock also is different from centre to centre. In Ontario as a whole in 1981, 81 percent of the ownership stock is single-detached, while in urban Ontario the figure is 77 percent. Woodstock (86 percent) and Hamilton (84 percent) both exceed the provincial average. The proportion in Kingston (77 percent) was equal to the average for Urban Ontario; Ottawa (77 percent) and North York (64 percent) was lower. In Toronto, there are more semi-detached and row units (47 percent) than there are single-detached units (42 percent).

- The differences in the characteristics of the change in the housing stock in each case study area over the past two decades is also illustrative of the differences between the areas themselves:

  - In the City of Toronto, the dwelling stock increased by over one-third over the 1961-1981 period; the increase was comprised entirely of new apartment units, there was actually a decline of about 8 percent in the non-apartment stock of dwellings over the period.

  - North York's stock of dwellings increased by over 160 percent over the 1961-1981 period; again the majority of the increase (almost two-thirds) was in apartment units.

- In both Hamilton and Kingston, the size of the total housing stock increased by 54 percent over the period, with the vast majority of the increase occurring in apartment type units; Ottawa had a larger increase in total but the orientation towards apartment buildings was the same.

- In all of these cities, the lack of (or cost of) residential land pushed the majority of the lower density housing towards less developed suburban municipalities.

- Even in Woodstock, however, the trend towards increased apartments was evident; apartments accounted for 35 percent of the increased dwelling stock in 1961-1981; half of the increase occurred in single-detached dwellings.

It is evident that the past two decades have seen substantial changes in the size and character of housing demand and the utilization of the dwelling stock. However, many of the economic and demographic trends that led to these changes have now themselves changed. The outlook for the future is different.

3.0 THE SHIFTS IN THE PAST 2-3 YEARS

The period since mid-1979 has seen a fundamental change in the housing market across Canada. The high and volatile interest rates which have characterized this period combined with the current serious economic recession have created a dramatically new environment for housing.

Affordability for ownership housing, which had been improving throughout the 1960's and 1970's as a result of:

- Rising real incomes;
- Low real interest rates;
- The advent of high-ratio loans as a result of the wide-spread use of mortgage insurance; and
- Government support programs,

has taken a dramatic turn for the worse since mid-1979. Homebuyers and mortgage renewers have faced a substantial increase in both real and nominal mortgage interest rates (and payments). Many potential homebuyers, who in the past might reasonably have expected to be in a position to buy a home, have found that they were simply unable to afford to purchase a home; many others, though able to afford to purchase a modest dwelling, have had to lower their expectations considerably. The homeownership market has been profoundly affected by the events of the past 2-3 years; while affordability has improved over the past few months and can be expected to continue to improve as interest rates decline and the economy recovers, buyers will be much more cautious in future, much more conservative about overextending themselves. Because of this, there will likely be a higher demand for more modest types of ownership housing in the 1980's than would have been anticipated from an examination of the underlying demographics alone.

Rental markets across Ontario (and Canada) are in disarray as a result of three key factors:

- The imposition of rent review in 1976 has served to keep market rents below what would have been the case in their absence;

- The escalation of mortgage interest rates, especially in the period since 1979, has dramatically increased the amount of rent necessary to make new rental projects economically viable from a landlord's point of view; and

- The substantial ARP, MURB and ORCL subsidy arrangements for investors in rental housing were cancelled; these programs provided subsidies to investors in rental starts in the latter half of the 1970's and early 1980's.[1]

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[1] The ARP (Assisted Rental Program) and MURB (Multiple Unit Residential Building) and ORCL (Ontario Rental Construction Loan) arrangements provided subsidies to investors in rental buildings designed to lower the rent necessary to make new rental projects viable.

Because of this, there is a severe shortage of affordable rental accommodation in most centres in Ontario and there is little real prospect that the situation will improve in the near future. The problems are twofold:

- Landlords cannot build and maintain new rental projects at today's interest rates and still make a profit at today's market rents; and

- Many tenants have insufficient incomes to afford today's market rents much less the rents that would be necessary to build a new project successfully.

Clearly, the first problem is a structural one which can be solved only with a change in the landlords' cost-revenue equation either through subsidies (grants, low-interest loans, tax concessions etc.) or through an increase in prevailing market rents which are currently being suppressed by the rent review process. If the prevailing market rent is allowed to rise, there is little doubt that while many (if not most) tenants could afford the increase, there would be substantial hardship for others which could only be offset either by provision of more modest-rental housing or by a program of income supplements or shelter allowances. These problems will not be easily (or cheaply) solved by government; nonetheless, it seems likely that the current problems in the rental market will persist until governments take some direct (long-term) action to solve them.

Another important feature of the past 2-3 years which has important implications for the housing market has been the increased awareness of the size of government deficits and the consequent measures to reduce expenditures at all levels of government. These measures often conflict with important policy initiatives and programs and severely limit the ability of governments to solve the severe problems in the housing market. An era of restraint and cost-effectiveness measures is upon us and it is unlikely to abate in the near future.

A final factor which has perhaps been evident for longer than 2-3 years but which has certainly strengthened during this period has been the movement towards living closer to the central parts of urban areas because of a variety of reasons - chiefly related to lifestyle and convenience considerations as well as the increased costs of energy and hence commuting. Because of this movement, a premium has been placed upon the centrally-located housing stock relative to suburban housing and the results can be seen in a number of ways:

- Extensive renovations of housing in centrally located areas;

- Deconversion of many centrally-located structures away from rooming houses or small apartments, back to their original single-family housing form;

- Infill housing on vacant lots in inner city area;

- Demolitions of obsolete buildings and replacement with high-quality residential units; and

- Escalation of prices in inner city areas relative to fringe areas.

This trend towards inner city living seems unlikely to weaken in coming years. The central areas are attractive places to live, the challenge is to retain and alter the stock of housing which is located in these areas to accommodate the pressure which is being brought to bear on the stock by the (increasingly affluent) households seeking centrally located housing.

4.0 THE OUTLOOK FOR THE 1980's AND 1990's

Many of the trends evident from the 1960's and 1970's will continue in the next two decades; however, the (primarily economic) factors which have struck heavily in the past 2-3 years, combined with the changing demographics, point to some changes in housing demand patterns in the 1980's and 1990's. In particular, the issue of affordability both for ownership and rental housing is sure to impact housing markets much more severely than had been anticipated by most forecasters prior to the interest rate and economic shocks of the 1979-1982 period.

- With real interest rates likely to remain high for the foreseeable future, many homebuyers will find the "large home on a large lot" to be beyond their reach - this was the housing form which was widely predicted to be dominant in the 1980's because of the aging of the baby boom population in their 30's and 40's.

- While affordability considerations will force an adjustment in homebuyers' expectations about their housing requirements, affordability itself is unlikely to reduce significantly the overall demand for ownership housing in the 1980's and 1990's. No doubt some potential homebuyers at the margin of affordability will find they cannot afford, but the majority will opt for a more modest type of housing - however, it will still be owned.

- The shortages in the rental market seem unlikely to abate until either a widespread subsidy program for landlords is put in place or rents are allowed to rise significantly - in either case, affordability for some renters will continue to be a problem until governments institute a viable assistance program targetted at needy tenants.

In addition to the continued need for affordable housing, there is little doubt that the current financial constraints on governments at all levels will also continue. All public expenditures will need to be reviewed in light of their cost-effectiveness and the straightened financial circumstances in which governments find themselves. These circumstances will affect not only the ability of the senior levels of government to finance costly housing support programs (such as subsidies to rental developers or shelter allowances), but will also affect municipal governments in planning their municipal infrastructure expenditures - efficiency in the provision and utilization of services will be an important consideration in municipal finance in the 1980's and 1990's.

Substantial changes will be occurring in demographic trends as well. While it has been apparent for some time that significant changes in the age structure of the population will occur in the next two decades, little serious research on housing projections for Ontario in the 1980's and 1990's has been conducted recently. All existing comprehensive projections were prepared prior to the current recession so these projections appear to be much too optimistic in light of Ontario's revised growth outlook. In order to provide some

demographic background for this report, a rough set of projections of housing demand and household growth were prepared based on the Provincial Government's current preferred population forecast.[1] The main results of these projections are:

- Average annual population growth in Ontario (under the preferred population projection from the Ontario government) is projected to decline to just over 60,000 people in 1981-1991 and to just over 30,000 in 1991-2001; this compares with average annual growth of 92,200 persons in the 1971-1981 period.

- Household growth in Ontario is projected to decline less dramatically to an average of about 55,000 households annually in 1981-1991 compared to average annual growth 74,200 in the 1971-1981 period; in 1991-2001 average household growth is projected to drop to an average of less than 35,000 annually.

- There will be significant changes in the age structure of Ontario's population over the next 20 years that will have important implications for housing demand:

  - the post-depression baby boom population will have aged into the 35-54 age group by the year 2001; households in this age group predominantly own their dwellings;

  - the elderly (people aged 65 years or more) are projected to increase by more than 50 percent to a total of 1.3 million by 2001; this is 14 percent of Ontario's projected 2001 population compared to 10 percent in 1981;

  - there is projected to be a progressive decline in the number of people in the 15-34 age groups throughout the next 20 years from over 3 million in 1981 (35 percent of the population) to only 2.5 million in 2001 (26 percent of the population); these are the main household formation age groups and their decline is closely related to the declining overall rate of household growth in Ontario.

- Non-family households will continue to account for a significant proportion of overall household growth. However, primarily because of the declining number of people in the 15-34 age groups, they will not be as important a component as they were in the 1970's when they averaged growth of almost 33,000 household annually. In the 1980's, projected non-family household growth is less than 17,000 annually, while in the 1990's it is projected to decline to about 9,000 households annually.

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[1] A review and explanation of these projections are presented in the appendix. They are based on the preferred population projection from the Ministry of Treasury and Economics which incorporates a low fertility assumption and a 10,000 annual net population in-migration assumption for the 1981-2001 period.

- Family households, on the other hand, are projected to grow at similar rates in the 1980's (about 39,000 annually) to what occurred in the 1970's (41,500 households annually). Family household growth in the 1990's is projected to decline to an average of about 25,000 households annually.

- Average household size is projected to continue to decline over the next twenty years, though at a less dramatic rate than has occurred in the last twenty years; by 2001, average household size in Ontario is projected to be 2.5 persons compared to 2.9 in 1981 and 3.8 in 1961.

- The tenure pattern of future household growth in Ontario is projected to lean more heavily towards homeownership than in the recent past: 72 percent of net household growth in the 1981-2001 period is projected to be for ownership housing compared to 64 percent in 1971-1981.

- Rental housing is, however, still projected to account for significant volumes of new housing demand in Ontario - especially in the next ten years. Rental household growth is projected to average 18,500 units annually in 1981-1991, 34 percent of total household growth, before dropping to 6,400 units annually in 1991-2001, 19 percent of total household growth. In 1971-1981, the growth in rental households averaged 26,500 units annually, 36 percent of total household growth.

As with the past two decades, these trends will not impact all parts of Ontario equally. The growth will occur mainly in the centres with strong economic growth prospects - in particular the Toronto and Ottawa metropolitan areas. Much of the demand in these centres will, in turn be more focussed on the centrally located parts of these urban areas than was the case in the 1960's and in the first half of the 1970's.

Despite the projected growth and the changing charactertistics of the occupants of the province's housing stock over the next twenty years, it is important to bear in mind that the housing stock in place in Ontario in 1981 will still account for approximately three-quarters of the total housing stock in the year 2001. If this stock is used flexibly and efficiently it can continue to provide cost-effective housing services and might help to solve some of the current housing problems faced by renters and homeowners. Certainly, in view of the high costs of replacement housing, conservation of the stock is a definite plus in terms of the continued affordability of both rental and ownership housing.

The Conversion and Conservation Study was established to explore whether there was significant scope for better use of the existing housing stock and urban infrastructure. On the surface intensification of the existing housing stock would appear to be a viable answer to many of the problems facing the housing market today and likely to continue in the foreseeable future:

- Affordability for homeowners (and homebuyers) could be enhanced by conversion of their dwelling to add more occupants; the resulting rent revenue could be the difference between being able to afford to own and having to rent.

- Rents on converted units or shared dwellings could be significantly lower than rents for newly-built apartments and could thus solve an affordability problem for many renters.

- Additional units of both ownership and rental housing will be required in Ontario throughout the next two decades; if conversions can displace some proportion of the new production, the cost savings to society could be significant.

Intensification of existing housing could also be of significant benefit to municipalities in their straightened financial circumstances by reducing the requirement for costly new land development schemes and through more effective use of (and maximization of revenues from) existing urban infrastructure.

Finally, it is clear that conservation of our existing stock is an important issue. The costs of conserving this stock can be substantial, however, compared to the replacement cost they are usually justified. A particular area of concern in this regard is conservation of the large stock of high-rise apartment buildings constructed over the past 25 years; there is relatively little currently known about conservation of these buildings relative to conservation of the other major dwelling types and they now comprise 40 percent of Ontario's rental stock. Significant conservation costs or losses of this stock with replacement by costly new buildings would have a dramatic impact on a large number of renters.

APPENDIX

PROJECTIONS OF HOUSING REQUIREMENTS

PROVINCE OF ONTARIO, 1982-2001

A.1 PURPOSE

This appendix presents the background information behind the projections of housing requirements prepared for the MOMAH/AMO Conversion and Conservation Study. The projections were prepared especially for this study because it was considered that none of the available published projections adequately took account of the effects of the changed circumstances in the housing market in the past 2-3 years, particularly affordability and the lower levels of net-migration into Ontario.

A.2 NEW HOUSING REQUIREMENTS

A.2.1 Components of Housing Requirements Projections

Projections of new housing requirements comprise a number of separate components, specifically:

- Household growth - increases in the number of families and individuals wishing to occupy a separate dwelling; projections of household growth have two main components:
  - Population growth by age groups and
  - The propensities of people in each age group to form separate households (called household headship rates);
- Changes in the stock of vacant dwellings - the change in the number of vacant units which are required to facilitate household growth and to allow for normal movement of households from one dwelling to another; and
- Net replacement demand - the number of new housing units required to replace those lost through demolitions, abandonments etc.

By far the most important of these components is household growth which, because of a combination of population growth and declining average household size (another way of describing the increasing propensity of people in each age group to form separate households), accounted for over 90 percent of new housing demand in Ontario in the 1971-1981 decade.

Projections for each of the components are presented separately in the following sections of this Appendix.

A.2.2 Population Growth by Age Group

The preferred population projection for the Province of Ontario from Central Statistical Services of the Ontario Ministry of Treasury and Economics did not yet incorporate the 1981 Census results at the time this Appendix was prepared (the projection was still based on 1976 Census figures though the total population projection for 1981 is within 1,000 persons of the actual total reported in the 1981 Census). The projection incorporated the following assumptions:

- Low fertility rate; and
- Net in-migration of an average of 10,000 persons into Ontario annually.

Though of importance to the composition of households, the fertility rate assumption has relatively little impact on projections of total households, since even children born in 1982 will have only just entered the household forming age groups (persons aged 15 and over) by the end of the projection period in the year 2001.

The migration assumption, on the other hand, is of key importance to the projections of total households. The assumed average net in-migration of 10,000 persons annually reflects the overall 1976-1981 experience, but it is well below the average annual 50,000 person net in-migration assumed in the report Ontario Housing Requirements 1976-2001, prepared by Peter Barnard Associates for the Ontario Ministry of Housing in 1977 - this report is the most recent comprehensive set of published housing requirements projections in Ontario. The lower net migration assumption is one of the main factors behind the substantially lower household projections presented in this report compared to the Barnard report.

Table A-1 presents the historic (1971-1981) and projected (1986-2001) total population for Ontario to the year 2001 under the (preferred) low fertility and 10,000 net in-migration assumptions.

Table A-1: Total Population (Low Fertility And 10,000 Average Annual Net In-Migration Assumption) Ontario, 1971-2001 (000's)

	Total Population	Growth from 5-Year Previous
1971	7,703	
1976	8,264	561
1981	8,625	361
1986	8,955	330
1991	9,231	276
1996	9,423	192
2001	9,533	110

Source: Census of Canada (1971, 1976, 1981); and unpublished projections from Central Statistical Services, Ontario Ministry of Treasury and Economics.

Table A-2: Total Population By Age Group (10,000 Average Annual Net Migration Assumption) Ontario, 1971-2001 (000's)

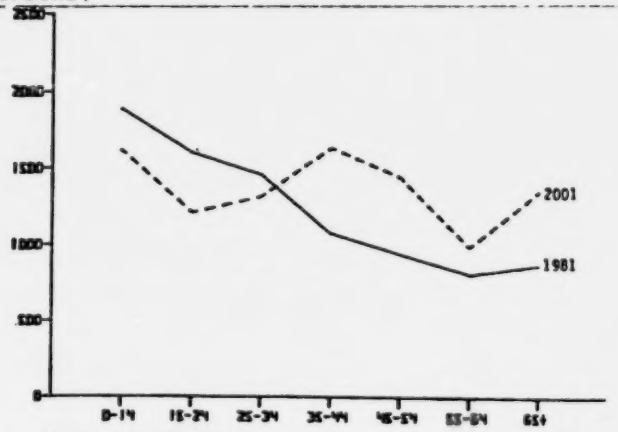
	0-14	15-24	25-34	35-44	45-54	55-64	65+	Total
1971	2,209	1,387	1,045	943	851	624	644	7,703
1976	2,074	1,552	1,302	964	937	696	739	8,264
1981	1,887	1,599	1,456	1,073	937	805	868	8,625
1986	1,806	1,477	1,574	1,304	943	873	978	8,955
1991	1,779	1,291	1,633	1,471	1,052	869	1,136	9,231
1996	1,720	1,220	1,499	1,573	1,274	880	1,257	9,423
2001	1,615	1,211	1,315	1,631	1,436	982	1,343	9,533

Source: Census of Canada (1971, 1976, 1981); and unpublished projections from Central Statistical Services, Ontario Ministry of Treasury and Economics.

From a new housing requirements point of view, the declining rate of total population growth is only one of two major population effects over the next 20 years. The other is the changing age structure of the population which, because of the aging of the post-depression baby boom and the increases in the elderly population, is projected to be dramatically different in 2001 than it is today. Table A-2 presents the historical (1971-1981) and projected (1986-2001) population in Ontario by age group under the low fertility and 10,000 net in-migration assumption.

As noted above, the 1986-2001 projections are based on the 1976 Census age distribution of population - revised projections based on the 1981 Census were not available at the time this study was undertaken. The actual 1981 age distribution in the Census was however, close enough to the projected 1981 distribution that revisions are not expected to have a significant impact on the age distributions of the 1986-2001 projections of population.
The differences in the projected age structure of the population in 2001 compared to 1981 are best illustrated by use of a graph.

Table A-3: Age Structure Of Population Ontario, 1981 And 2001 (000's Of Persons)



Source: See Exhibit A-2.

The effect of the aging of the post-depression baby boom on the age structure of the population in Ontario is the most striking feature of Table A-3. The baby boom population is projected to have aged into the 35-54 age group by 2001 from the 15-35 age group in 1981. By 2001, there are projected to be substantially fewer people aged less than 35 in the Province of Ontario than there are at present - this reflects the lower birth rates in the period following the baby boom years.

This changing age structure has very important implications from the point of view of housing demand:

. People aged 15-34 are in the prime household formation age groups, so the decline in the numbers of people in these age groups will impact new household formation negatively;

- A large proportion of rental housing demand comes from these younger age groups, so the negative impact will be most heavily felt in rental housing demand;

- The strong growth in the 35-54 age groups should lead to stronger ownership housing demand unless affordability considerations weaken the ability of families to purchase a home; and

- The substantial increase in the number of elderly people will put pressure on the available stock of housing for the elderly and should present opportunities for conversion of elderly homeowners' dwellings to accommodate tenants.

The effects of this changing population age structure on household growth and ultimately on new housing requirements in Ontario are presented in the following sections of this Appendix.

A.2.3 Household Headship Rates[1]

The most common and accurate way to translate population trends into household growth trends is to use household headship rates which, when applied to the projected population age structure, yield a projection of households by age of household head.[2]

Household headship rates have been increasing since the end of the Second World War. Factors behind the increase in headship rates in the 1960's and 1970's are many and varied:

- Greater affluence, especially on the part of the young and the old, who by the mid-1970's more than ever before, had the financial means to support a separate household;

- Changing lifestyles, which led many singles to occupy separate households where in the past they may have shared accommodation with other individuals or boarded;

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1 Household headship rates refer to the proportion of people in a given age group who are household heads. An increase in the household headship rate occurs when new households are formed; for example, the divorce of a married couple could result in the formation of two separate households where previously there was only one - this would lead to an increase in the household headship rate.

2 A household is defined in the Census as "a person or group of persons (other than foreign residents) who occupy a dwelling and do not have a usual place of residence elsewhere in Canada. It usually consists of a family group with or without lodgers, employees, etc. However, it may consist of two or more families sharing a dwelling, a group of unrelated persons, or one person living alone".

- Increased numbers of divorces and separations, which led to the split-up of families, often into two separate households; and

- Government support and regulation programs, which in some cases provided subsidized dwellings, in others supplemented the incomes of families and individuals, and, in the case of rent review, substantially reduced the real cost of renting over time. The combination of these programs allowed many families and individuals to maintain a separate household where in the past they would not.

Most forecasters include an allowance for continued increases in household headship rates though at a lower rate of increase than in the 1960's and 1970's. There is evidence that in the past 2-3 years increases in household headship rates in some age groups may have levelled off or declined temporarily. The main reason behind this is affordability and the current uncertain economic climate.

The effects of high interest rates on the cost of both ownership and rental housing have altered the affordability situation for many households - especially newly forming households and renter households seeking to purchase a home of their own. The changed affordability situation will affect the housing market in many ways including;

- Many potential first-time homebuyers will be less able to afford a home and will instead remain in (relatively cheap) rental accommodation;

- New unsubsidized rental housing simply does not make economic sense in most Ontario markets - the rents required to cover costs on such accommodation are too much above prevailing market rents which are held down by rent review;

- The shortage of reasonably priced rental accommodation will lead to doubling of some households which previously might have lived separately; this is especially true of young non-family households which are also being adversely affected by the high unemployment situation;

- Many existing homeowners may find themselves in financial difficulties with conversion being seen as one potential option to help solve these problems;

- Some potential homebuyers may see a converted dwelling as one way to overcome the affordability problem and thus facilitate home purchase; and

- Many existing homeowners will choose not to move up to a higher-quality home because of the attendant higher debt involved; this will stifle, to some extent at least, the normal filtering process in the housing market.

These factors seem likely to result in a slowdown in the rate of increase in household headship rates; while most families will likely continue to form their own households, there is likely to be a softening in the propensity to form non-family households - especially the young.

Table A-4 presents the historic (1971-1981) family and non-family household headship rates in Ontario as well as projections for the 1986-2001 period.

Table A-4: Family And Non-Family Household Headship Rates*
Ontario, 1971-2001

	15-24	25-34	35-44	45-54	55-64	65+
Family Households						
1971	0.078	0.392	0.463	0.459	0.436	0.321
1976	0.079	0.388	0.474	0.469	0.438	0.321
1981	0.074	0.375	0.475	0.479	0.431	0.311
1986	0.072	0.371	0.475	0.480	0.432	0.310
1991	0.071	0.369	0.476	0.481	0.430	0.310
1996	0.070	0.368	0.476	0.481	0.431	0.310
2001	0.070	0.367	0.476	0.481	0.431	0.310
Non-Family Households						
1971	0.030	0.050	0.037	0.055	0.117	0.241
1976	0.050	0.079	0.046	0.061	0.125	0.271
1981	0.058	0.106	0.062	0.069	0.129	0.287
1986	0.062	0.114	0.065	0.070	0.131	0.290
1991	0.066	0.118	0.066	0.070	0.132	0.292
1996	0.069	0.121	0.067	0.071	0.133	0.293
2001	0.070	0.123	0.067	0.071	0.133	0.293
Total Households						
1971	0.108	0.442	0.501	0.397	0.553	0.562
1976	0.128	0.467	0.520	0.530	0.563	0.591
1981	0.131	0.481	0.537	0.549	0.560	0.598
1986	0.134	0.485	0.540	0.550	0.562	0.600
1991	0.137	0.487	0.542	0.551	0.563	0.602
1996	0.139	0.489	0.543	0.552	0.564	0.603
2001	0.140	0.490	0.543	0.552	0.564	0.603

* Household headship rates are literally the proportion of people in a given age group who are household heads. For example, if there are 1,000 people in a given age group and 340 are heads of family households then the family household headship rate for that age group is 0.340.

Source: Projections by Clayton Research Associates and estimates based on Census of Canada data (1971, 1976, 1981). The projections of household headship rates presented here are generally lower than those presented in Statistics Canada, Household and Family Projections 1976-2001 prepared in December, 1981 mainly because it is considered that the effects of affordability difficulties on future household growth will be more severe than the Statistics Canada projections assumed.

The changing pattern of family and non-family household headship rates (in relation to total population in a given age group as presented in Table A-4) is a result of two interacting causes:

- The overall tendency among the population in all age groups towards higher household headship rates (discussed earlier in this section) which is expected to moderate in the 1980's and 1990's because of many factors including affordability; and

- Changing patterns in the marital status of the population, e.g. the trend to later marriage among the younger population is behind the apparent decline in the family household headship rate (in relation to total population) in the younger age groups and the corresponding increase in the non-family household headship rate for the same age groups.

It was not considered feasible for the projections prepared for this report to formulate a detailed set of projections for the population broken down by marital status; however, the projections of family and non-family household headship ratios presented in Table A-4 do assume a continuation of the trends in marital status which are evident at present.[1]

Particular trends that are assumed to continue are:

- Later marriage in the under 34 age groups - resulting in higher non-family household headship rate and a slight decline in family household headship rates;

- Increasing tendencies towards married but "spouse absent" families in the 25-54 age groups - resulting in increasing proportions of single-parent family households; and

- Declines in the proportion of "spouse absent" families in the 55+ age groups.

A.2.4 Households by Age Group

The combination of the projections of population by age group, Table A-2 and the household headship rate projections, Table A-4, yields the household projections presented in Table A-5.

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1 The projections of marital status proportions presented in Statistics Canada Catalogue 91-552 Household and Family Projections 1976-2001, December, 1981 were used as a general background in the formulation of the projections presented in this report; the household headship rates used in the Statistics Canada report were not used in the projections presented here.

Table A-5: Family And Non-Family Households
Ontario, 1971-2001 (000's)

	15-24	25-34	35-44	45-54	55-64	65+	Total	Average Annual Growth From Previous
Family Households								
	108	410	437	391	272	207	1,825	-
	122	505	457	439	305	237	2,065	48.0
	118	546	510	449	347	270	2,240	35.0
	106	584	619	453	377	303	2,442	40.4
	92	602	700	506	374	352	2,626	36.8
	85	552	749	613	379	390	2,768	28.4
	85	483	776	690	423	416	2,873	21.0
Non-Family Households								
	41	52	35	47	73	155	403	-
	77	103	44	57	87	200	568	33.0
	92	154	66	65	104	249	730	32.4
	92	179	85	66	114	284	820	18.0
	85	193	97	74	115	332	896	35.2
	84	181	105	90	117	368	945	9.8
	85	162	109	102	131	394	983	7.6
Total Households								
	149	462	472	338	345	362	2,128	-
	199	608	501	497	392	437	2,634	101.2
	210	700	576	514	451	519	2,970	67.2
	198	763	704	519	491	587	3,262	58.4
	177	795	797	580	489	684	3,522	52.0
	169	733	854	703	496	758	3,713	38.2
	170	645	885	792	554	810	3,856	28.6

Source: Census of Canada (1971, 1976, 1981); and projections by Clayton Research Associates.

On the basis of these projections, household growth can be expected to decline progressively throughout the 1981-2001 period. From average annual growth of 67,200 between 1976 and 1981, growth is projected to decline to an average of 58,400 in the current 1981-1986 period, to 52,000 in 1986-1991 and to only 28,600 in the 1996-2001 period.

The composition of the household growth is also projected to change. Family households will account for the lion's share of growth while growth in non-family households should taper off from the strong growth of the 1970's primarily because of declining population in the young age groups. Average annual growth in family households is actually projected to increase in the 1980's to 40,400 (1981-1986) and 36,800 (1986-1991) compared to 35,000 in 1976-1981; family household growth is projected to taper off in the 1990's. Growth in non-family households is projected to decline in 1981-1986 to an average of 18,000 annually from an average of 32,200 annually in 1976-1981; average annual growth in non-family households is projected to continue to decline in the remainder of the 1986-2001 period. Most of the growth in non-family households during the 1981-2001 period is projected to occur in the 65+ age group mirroring a similar large increase in elderly family (mostly husband-wife) households. For family households, however, the main growth age groups in the 1981-2001 period will be the 35-44 and 45-54 age groups.

Since they are based on the population and household headship rate projections presented earlier, these household growth projections are sensitive to changes in the assumptions about underlying population growth and household headship rates.[1] For example:

- The major difference between the household growth projections presented in Table A-5 and those presented in Ontario Housing Requirements 1976-2001 (by Peter Barnard Associates in 1977) is the underlying population growth assumption. The Barnard report assumed a slightly higher growth in household headship rates as well but the main difference was assumed average net in-migration of population of 50,000 people annually versus 10,000 annually in the underlying population projection used here. As a result, the Barnard projections yield much higher household growth (an average of 78,300 annually in 1981-1986 versus an average of 58,400 annually in the projections in Table A-5).

- Changes in the household headship rate assumption also impact the projections of household growth; for example, if household headship rates are assumed to remain constant at 1981 levels, the projected average annual 1981-1986 household growth declines to 54,600 (from 58,400 at the projected household headship rates).

A.2.5 The Stock of Vacant Dwellings

Some stock of vacant dwellings is necessary to enable the housing market to operate efficiently through facilitating the normal movement of households from one dwelling to another as well as allowing new household formation. Lack of such a vacant available stock can hinder movement and stifle new

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[1] This sensitivity is discussed in more detail in the Section on the reliability of the projections (Section 2.8), the issue is discussed here as well because it is critical that readers understand how susceptible the projections are to changes in the underlying assumptions.

household formation. Traditionally, a vacancy rate of 3-4 percent of the total stock was considered necessary to provide a "normal" level of vacancies.

The only comprehensive vacancy information available on Ontario's housing stock is from the Census of Canada where "vacant dwellings" refer to dwellings which were unoccupied on Census day and in which no person was permanently residing. Vacant units thus include units available for rent or sale, units unavailable such as company maintained units, second homes, units sold or rented but not occupied at the time of the Census, as well as units scheduled for demolition or expropriation. This definition is much broader than the conventional meaning of vacancy such as the one used in the CMHC rental apartment vacancy survey. The Census estimates for the total vacancy rate in Ontario were 3.7 percent (1971) and 4.6 percent (1976). The 1981 Census estimates of vacant units are not yet available however they are estimated to total roughly 3.6 percent of the total stock.[1]

The higher real costs of housing resulting from the increased interest rates of the past few years have already had an impact on the level of vacancies in Ontario. The cost (and revenue loss) associated with maintaining a vacant unit is such that it is increasingly unlikely that the 3.5-4.5 percent levels of vacancy rates will return; few builders are building new speculative houses for sale and rental vacancy rates are expected to remain low. As a result of this, it is assumed for the purposes of this report that the vacancy rate will decline to 3.0 percent over the 1981-1986 period and will remain at that level for the remainder of the 1986-2001 period. While actual vacancy rates will no doubt continue to fluctuate over the projection period rather than remain stable at any set level, it is not considered possible (or fruitful) to attempt to predict these fluctuations - an assumed average rate is therefore presented.

Table A-6: Stock Of Vacant Dwellings
Ontario, 1971-2001 (000's)

	Total Households	Vacant Dwellings	Total Dwellings	Vacancy Rate
1971	2,228	86	2,314	3.7
1976	2,634	127	2,761	4.6
1981	2,970	111	3,081	3.6
1986	3,262	101	3,363	3.0
1991	3,522	109	3,631	3.0
1996	3,713	115	3,828	3.0
2001	3,856	119	3,975	3.0

Source: Census of Canada (1971 and 1976); and projections by Clayton Research Associates.

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1 Preliminary vacancy estimates prepared by the Construction Division of Statistics Canada indicate an overall vacancy rate of 3.0 percent in 1981 but these are considered by the consultant to understate actual vacancies.

A.2.6 Net Replacement Demand

Very little is known about the size of the various components of net replacement demand; demolitions, abandonments and net conversions (conversions minus deconversions) are generally lumped together and presented as "net replacement demand" despite the fact that they are quite different and arise from different causes. They are lumped together because net replacement demand is generally estimated residually from new housing production compared with household growth and vacancy change. This is because of a lack of data and the fact that most housing studies tend to be more interested in new housing requirements than in total housing requirements which could be met either by new production or conversions.

Since so little is known about the relative sizes of the components of net replacement demand, it is not possible to separate out the conversion component for this study. Instead, net replacement demand (as it is traditionally conceived) is projected as a whole; if, as this study suggests, the conversion option is exercised by a greater number of households than in the past, the requirements for new production (the sum of household growth + increased vacancies + net replacement demand) will be lower to the extent that conversions are higher; i.e. the extent of net replacement demand will be lower than is shown here (or perhaps it could be negative if net conversions outweigh demolitions and abandonments).

Two recent studies have estimated the annual rate of net replacement demand at about 0.14 percent of the total Ontario stock[1]; for the purposes of this study it is assumed that net replacement demand for each 5 year period comprises 0.7 percent (0.14 x 5 years) of the stock for each of the 5-year projection periods.

Table A-7: Net Replacement Demand
Ontario, 1971-2001 (000's)

	Housing Stock in Base Year	Net Replacement Demand
1971-1976	2,314	28
1976-1981*	2,761	38
1981-1986	3,081	22
1986-1991	3,363	24
1991-1996	3,631	25
1996-2001	3,828	27

* The net replacement demand estimates for 1971-1981 were estimated residually from new dwelling completions, household growth and the change in vacancies in the intercensal periods.

Source: Census of Canada and Clayton Research Associates.

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[1] Clayton Research Associates Limited Technical Appendix for Housing Construction in Canada, prepared for the Housing and Urban Development Association of Canada in 1981, and Peter Barnard Associates Ontario Housing Requirements 1976-2001, prepared for the Ontario Ministry of Housing in 1977.

A.2.7 Total New Housing Requirements

The combination of household growth, changes in the stock of vacant dwellings and net replacement demand account for total housing requirements. Table A-8 presents the projections of total housing requirements for Ontario in the 1971-2001 period.

Table A-8: Components Of New Housing Requirements
Ontario, 1971-2001 (000's)

	Household Growth	Change in Vacant Stock	Net Replacement Demand	Total Housing Requirements	Average Annual Housing Requirements
1971-1976	406	41	28	475	95.0
1976-1981	336	-16	38	358	71.6
1981-1986	292	-10	22	304	60.8
1986-1991	260	8	24	292	58.4
1991-1996	191	6	25	222	44.4
1996-2001	143	4	27	174	34.8

Source: Clayton Research Associates; see Table A-5, A-6 and A-7.

Clearly, new housing requirements in Ontario are falling off from the levels of the 1970's. Average annual new housing requirements during the 1981-1986 period are projected at 61,400 units compared with 95,000 in 1971-1976 and 70,800 in 1976-1981. Requirements are projected to continue to decline in the fifteen years following 1986 as well.

It should be noted here that the manner in which these new housing requirements are met can vary from period to period. Completions of new dwellings comprised by far the largest share of requirements in 1971-1981 (98 percent) with the remainder comprised of mobile home shipments. In the 1980's, it is possible that new dwelling completions will not account for as large a proportion of requirements if the numbers of conversions increase or if prospective new households choose to "double up" and share housing rather than form a separate household - both of these phenomena are under study in this report and their realization would tend to reduce the requirements for new housing production:

- In the case of a higher number of conversions, the projections of net replacement demand would need to be reduced; and
- In the case of "doubling", the projections of household growth (as defined by Statistics Canada) would need to be reduced.[1]

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[1] The Census defines a household as "a person or group of persons who occupy a dwelling"; the case of two singles who chose to "double up" in one dwelling, would be counted as one household, if they lived in separate dwellings, they would be counted as two households.

A.2.8 Reliability of the Projections

These projections are, of course, only as reliable as are the underlying assumptions. If these assumptions are changed there will be an inevitable impact on the projections of new housing requirements. The projections presented here are not the product of the type of intensive study which should be undertaken in preparing projections of this nature - time and budget constraints did not allow such intensive analysis for this study. There was (and still is) a need, however, for indepth work in this area; these projections should be regarded only as an interim approximation of housing requirement trends in the next two decades, prepared of necessity since little was available from other sources. Particular aspects which need further study are:

- The underlying projections of population; the projection used here was the current "preferred" projection from Central Statistical Services of the Ontario Ministry of Treasury and Economics but serious work is required to determine the probable reliability of the projection, particularly the assumption of 10,000 net in-migration;

- The effects of affordability and current and future economic conditions on household formation (i.e., household headship rates); the projections presented here have attempted to take account of these factors by lowering the projected rate of increase in household headship rates, however, more serious work is required in this area.

Changes in these factors would, of course, have an impact on the housing requirement projections. To provide some feel for the sensitivity of the projections to changes in the underlying assumptions, Table A-9 presents a series of five projections of household growth in the 1976-2001 period:

- The Barnard projections: - Ontario Housing Requirements 1976-2001 prepared by Peter Barnard Associates for the Ontario Ministry of Housing in 1977; these projections incorporate an assumed net in-migration of 50,000 persons annually;

- Two projections by the Ontario Ministry of Housing: Housing Requirements to Year 2001 - An Update prepared by Rizwan Rana in 1981; these projections essentially use Barnard's model to project household growth under two alternative assumptions:
  - 30,000 annual net in-migration; and
  - zero annual net in-migration;

- The Clayton Research projections presented above in Tables A-5 and A-8; and

- An alternative Clayton Research projection which incorporates the same 10,000 annual net in-migration assumption but holds household headship rates constant at 1981 levels.

Table A-9: Alternative Household Growth Projections
Ontario, 1976-2001 (000's)

	Barnard (1977)	Ministry of Housing (1981)		Clayton Research (1982) 10,000 Net In-Migration	
	50,000 Net In-Migration	30,000 Net In-Migration	Zero Net In-Migration	Projected HHR's*	Constant HHR's*
1976-1981	421	358	310	336	336
1981-1986	409	302	245	292	273
1986-1991	286	278	216	260	244
1991-1996	256	217	150	191	183
1996-2001	247	181	108	143	139

* HHR's are household headship rates

Source: Peter Barnard Associates, Ontario Housing Requirements, 1976-2001, 1977; Rizwan Rana, Ontario Ministry of Housing, Housing Requirements to Year 2001 - An Update, 1981 and projections by Clayton Research Associates.

In addition to the different migration assumptions, the Barnard and Ministry of Housing projections use different household headship rate assumptions from the Clayton Research projections; this, of course, further complicates analysis of the differences among the projections.

A.3 HOUSEHOLD CHARACTERISTICS

A.3.1 Target Groups

For the purposes of analyzing the potential for conversions, the Conversion and Conservation Study has split the total population into a set of seven distinct groups which can be expected to view conversions from different points-of-view. These groups are:

- Young households in which the head is aged less than 35 years and residing in the dwelling; there are three distinct groups of young households;
  - Young singles - non-family households of one or more persons;
  - Young couples - married or unmarried couples without children; and
  - Young families - married or unmarried couples with children.

- Single-parent family households - all households, regardless of the age of the head, in which the head is single (divorced, separated, widowed or never married), and has one or more children residing in the dwelling;

- Middle-aged households - households in which the head is generally aged 35-54 years and resides in the dwelling; there are two distinct groups of middle-aged households;

  - Middle-aged singles and couples - without children; and
  - Middle-aged families - married or unmarried couples with one child or more residing in the dwelling (included in this category are family households with children where the head is aged 55 or more years as well as 35-55 years);

- Empty-nester and elderly households - households without children at home in which the head is aged 55 years or more and resides in the dwelling; and

- Multiple-family households - all households regardless of the age of the head, in which 2 or more families are residing in a single dwelling.

Another section of this report presents an analysis of the likely motivations and expectations of each of those groups with regard to conversion. The section also presents 1981 Census information on the relative sizes of each of these groups both as owners of the potential convertible stock and as part of the total stock of households in Ontario (and in the case study areas).

A.3.2 Growth in the Target Groups

Table A-5 presented projections of the growth in family and non-family households in Ontario by age of household head over the 1981-2001 period. In order to divide these projections among the groups presented above, it is necessary to refine further the projections of family households by age of head in order to split out those which have children from those which do not and to identify lone parent family households and multiple family households.

Preparation of a reliable set of projections of growth in each of these groups would require a complicated exhaustive analysis of past and likely future trends in each - time and budget constraints prevented such detailed analysis for this study. Instead it was decided to present an indicative set of projections based on the assumption that the 1981 breakdown of family households by age of head into each of the required types would generally apply to each of the projection years.

Table A-10 presents the breakdown of family households in Ontario by age of head and household type.

Table A-10: Family Households By Age of Head And Type
Ontario, 1981

	15-24	25-34	35-44	45-54	55-64	65+	Total
000's of Households							
Husband-Wife Families							
- No Children	64.5	140.6	44.3	80.0	172.2	210.5	712.3
- Children	37.1	345.2	396.3	307.2	136.4	34.2	1,256.4
Lone Parent Families	15.3	52.3	61.1	52.3	31.4	21.2	233.5
Multiple Family	1.0	8.1	7.9	9.2	7.6	4.2	37.9
Total	117.9	546.2	509.6	448.7	347.6	270.1	2,240.1
Percent Distribution							
Husband-Wife Families							
- No Children	54.7	25.7	8.7	17.8	49.5	77.9	31.8
- Children	31.5	63.2	77.8	68.5	39.2	12.7	56.1
Lone Parent Families	12.9	9.6	11.9	11.7	9.1	7.8	10.4
Multiple Family	0.9	1.5	1.6	2.0	2.2	1.6	1.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Special tabulations from 1981 Census of Canada.

With the exception of an assumed slight increase in the proportions of lone parent families in the 25-54 age groups and a corresponding slight decline in the proportions of lone parent families in the 55+ age groups, the percentage distributions of family households by age of head from Table A-10 were used in projecting the growth of family households for each of the groups identified earlier. These projections are presented in Table A-11.

The groups which will experience the strongest growth over the next two decades (according to the indicative projections presented in Table A-11) are:

- Middle-aged families with children which, together with families with children and with heads aged 55 years and over, account for 45.4 percent of the total increase in households;
- Empty-nesters and the elderly account for 36.8 percent of the total increase in households;
- Middle-aged singles and couples account for 16.1 percent of the total increase in households; and
- Single-parent family households account for 11.1 percent of the total increase in households.

Table A-11: Households By Type
Ontario, 1981-2001

Total Households (000's)	1981	1986	1991	1996	2001
Households Less Than 35 Years					
- Singles	245.4	271.0	278.0	265.0	247.0
- Couples	205.1	206.9	202.6	185.1	167.3
- Families (with children)	382.3	399.5	404.1	367.9	322.9
Single Parent Family Households	233.5	262.0	289.4	313.3	331.4
Middle-Aged Households					
- Singles and Couples (35-54 Years with no children)	256.1	285.4	320.8	367.9	399.1
- Families (with children)					
- 35-54 years	703.4	787.3	882.7	988.3	1,056.8
- 55+ years	170.7	186.7	191.7	198.8	219.5
Empty-Nester Households 55+ Years Singles and Couples (with no children)	735.3	821.3	907.8	978.8	1,061.8
Multiple-Family Households	38.0	41.9	44.9	47.9	50.2
Total Households	2,969.8	3,262.0	3,522.0	3,713.0	3,856.0

Table A-11: Households By Type
Ontario, 1981-2001 (cont'd)

Growth (000's)	1981-1986	1986-1991	1991-1996	1996-2001	Total 1981-2001
Households Less Than 35 Years					
- Singles	25.6	7.0	-13.0	-18.0	1.6
- Couples	1.8	-4.3	-17.5	-17.8	-37.8
- Families (with children)	17.2	4.6	-36.2	-45.0	-59.4
Single Parent Family Households	28.5	27.4	23.9	18.1	97.9
Middle-Aged Households					
- Singles and Couples (35-54 Years with no children)	29.3	35.4	47.1	31.2	143.0
- Families (with children)					
- 35-54 years	83.9	95.4	105.6	68.5	353.4
- 55+ years	16.0	5.0	7.1	20.7	48.8
Empty-Nester Households 55+ Years Singles and Couples (with no children)	86.0	86.5	71.0	83.0	326.5
Multiple-Family Households	3.9	3.0	3.0	2.3	12.2
Total Households	292.2	260.0	191.0	143.0	886.2

Source: 1981 Census of Canada and projections by Clayton Research Associates.

These four groups together account for a larger increase in households than the total because of an absolute decline in the numbers of households with heads aged less than 35 years. Table A-12 presents a summary of the percentage distributions both of the total population of households in Ontario in 1981 and 2001 (using the indicative projection) and of the projected change in the population of households over the 20-year period.

Table A-12: Percentage Distribution Of Households By Type, Ontario, 1981-2001 (Percent)

	Total Households 1981	2001	Change 1981-2001
Households Less Than 35 Years			
- Singles	8.3	6.4	0.2
- Couples	6.9	4.3	-4.3
- Families (with children)	12.9	8.4	-6.7
Single Parent Family Households	7.9	8.6	11.1
Middle-Aged Households			
- Singles and Couples (35-54 Years with no children)	8.6	10.4	16.1
- Families (with children)			
- 35-54 years	23.7	27.4	39.9
- 55+ years	5.7	5.7	5.5
Empty-Nester Households 55+ Years Singles and Couples (with no children)	24.7	27.5	36.8
Multiple-Family Households	1.3	1.3	1.4
Total Households	100.0	100.0	100.0

Source: Clayton Research Associates

The groups which have been identified elsewhere in this study as being potentially most likely to consider conversion of a dwelling if they own one are projected to show strong growth over the 1981-2001 period. Together, these groups (singles and couples of all ages and single-parent families) are projected to account for 59.9 percent of total households growth during the period.

It must be borne in mind, however, that while these groups account for 56.4 percent of all Ontario households in 1981, they owned only 36.6 percent of the convertible stock.[1]

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1 The convertible stock is defined elsewhere in this study to include all grade-related dwellings i.e., single-detached, semi-detached and row units.